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SUBJECT: KUWAIT CHAMBER OF COMMERCE: MORE U.S. INVESTMENT
WANTED

¶1. (SBU) Summary: On January 31, Kuwait Chamber of Commerce and Industry (KCCI) President Ali Al-Ghanim told Econcouns that U.S. firms were losing out to more aggressive European and Asian firms in Kuwait, and he encouraged more U.S. firms to seek business opportunities outside of the government contracting and energy spheres. He lamented that there was no serious American interest in Kuwait's mega projects, such as Boubyan port. Al-Ghanim said that post-9/11, Kuwaitis no longer look to the United States as their primary foreign investment destination, but instead have focused on the Gulf and Asia, and prefer joint-ventures to direct investment. Econcouns cited discriminatory tax policies and bureaucracy as some of the impediments to stronger U.S. investment in Kuwait. Al-Ghanim noted strong Chinese commercial interest in Kuwait. Al-Ghanim was upbeat on business prospects in Iraq, noting that many Kuwaitis have long-standing business ties to Iraq and that in 2006 more than 34,000 KCCI-sponsored business visas were issued for Iraqis. He highlighted KCCI's role in developing Kuwaiti economic policy, saying that the KCCI board regularly consults with the Amir and PM, and that "90% of what we say goes into the laws." Al-Ghanim said many Kuwaitis, some in conjunction with U.S. firms that work through Kuwaiti agents, are doing "huge business" with Iran, including investments in plastics, metal fabrication, and cement manufacturing. End Summary.

¶2. (SBU) On January 31, Econcouns met with Ali Al-Ghanim, President of the Kuwait Chamber of Commerce and Industry (KCCI). Al-Ghanim said the KCCI meets regularly with the Amir, PM, and the Parliament to give input on economic policy, and boasted that "90% of what we say goes into the laws." Responding to Econcouns' question about the draft tax law, which proposes a lowering of the tax rate for foreign companies, Al-Ghanim said the law is "nearly finished," and that the GOK has suspended implementation of the old law until the new law's passage, as the government had "realized it was mistaken." He acknowledged that there are serious barriers to the Amir's plan of transforming Kuwait into a regional financial center, including an opaque bureaucracy, ineffective laws, and a lack of transparency in contracting. Although Kuwait's plan is often compared to Dubai's recent growth, Al-Ghanim said Kuwait is aiming for a more durable development strategy than what he called the "Dubai model," which he was "not convinced would work in the long term." He noted that most of Dubai's businesses are owned by foreigners, noting that "an economy controlled by foreigners is risky."

"Fantastic Opportunities for American Companies in Kuwait"

¶3. (SBU) Al-Ghanim expressed frustration that U.S. companies are not pursuing business opportunities in Kuwait as

aggressively as European and Asian firms, despite "fantastic" opportunities for investment. He said U.S. companies should look at ventures in the private sector outside of government contracting, and in downstream oil projects he said were worth nearly USD one billion. Econcouns noted that GOK contracting procedures and Kuwait's investment laws act as barriers to investment, citing the recent negative experience of a U.S. company seeking to supply Kuwait with power turbines. Al-Ghanim agreed, saying he had heard that the practice of dividing projects into several different tenders, as opposed to one general contract, was sometimes unattractive to U.S. companies. Al-Ghanim said that "very few Americans come to Kuwait to promote business compared to the Europeans," noting that there has been "very little" interest in Kuwait's mega projects from American firms. The French, Germans, and Italians were all vying to fill the void, he said.

Investor Confidence in the U.S. is "Very Weak"

¶4. (SBU) After 9/11, Al-Ghanim said, the perception of the U.S. as a favorable place to invest quickly deteriorated, and now investor confidence in the U.S. is "very weak." Many Kuwaitis, he said, are deterred by accounts of visa delays, airport hassles, and frozen assets. Kuwaiti investors now look to other Arabian Gulf countries and China for investment opportunities, and the joint-venture model has become the favored method for those investments. (Note: Al-Ghanim claimed that 40% of total investment in Dubai is Kuwaiti money.) Econcouns stressed continued U.S. interest in attracting Kuwaiti investment to the U.S., highlighting Treasury U/S Adams's January 22-24 visit to Kuwait and the push he had made with Kuwaiti officials and investors along

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those lines (septel).

Good Kuwait-Iraq Business Opportunities

¶5. (SBU) Al-Ghanim was upbeat on Kuwait-Iraq business opportunities, saying that there are long-standing business ties between families and companies on both sides of the border and that many Kuwaitis are actively looking for investments in Iraq. He said there are three Kuwaiti banks currently operating in Iraq, and at least 4-5 joint-ventures.

There will be a "big boom" once the country is stabilized, he said. Al-Ghanim said many European companies have established offices in Kuwait that are focused on doing business in Iraq, and that the Chinese are increasingly big players. He said Kuwait is well-positioned to be the business gateway for Iraq, and that Kuwait's highway infrastructure would prove a key asset. He also highlighted an agreement with the Ministry of Interior whereby the KCCI is able to sponsor visas for Iraqi business people, and said more than 34,000 KCCI-sponsored visas were issued in 2006 alone.

Doing "Huge" Business in Iran

¶6. (SBU) Al-Ghanim said many Kuwaiti companies "are doing huge business in Iran." Major Kuwaiti investments include plastics, metal fabrication, and cement production. One company, he said, aims to take advantage of lower costs to produce cement in Iran, and re-export it from Kuwait to Iraq.

Al-Ghanim said "a lot" of American companies are entering into joint-ventures with Kuwaiti firms in order to do business in Iran. He insisted business prospects were equally promising for Sunni as well as Shia Kuwaitis, and that sectarian identity thus far made little difference in commercial contacts between the two countries.

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